

E4GLLALA

Argument

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 LALIQUE, S.A., et al.,

4 Plaintiffs,

5 v.

13 Civ. 7033 (RA)

6 METROPOLITAN FINE ARTS &
7 ANTIQUES, INC.,

8 Defendant.

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9 New York, N.Y.

10 April 16, 2014

12:40 p.m.

11 Before:

12 HON. RONNIE ABRAMS,

13 District Judge

14 APPEARANCES

15 KAUFMANN GILDIN & ROBBINS LLP

Attorneys for Plaintiffs

16 BY: DANIEL GILDIN

17 WACHTEL MISSRY LLP

Attorneys for Defendant

18 BY: JOHN H. REICHMAN

STELLA LEE

E4GLLALA

Argument

1 (Case called)

2 MR. GILDIN: Daniel Gildin; Kaufman, Gildin & Robbins
3 for the plaintiff.

4 THE COURT: Good afternoon.

5 MR. GILDIN: Good afternoon, Judge.

6 MR. REICHMAN: Good afternoon, your Honor. John
7 Reichman from Wachtel Missry for the defendant. To my left is
8 Stella Lee. I'm pleased to report that Ms. Lee has now been
9 admitted to this district since our last appearance.

10 THE COURT: Congratulations.

11 MR. REICHMAN: And also in the courtroom is an intern
12 we have, Marie Donovan, who is with us for a short time.

13 THE COURT: Good afternoon.

14 So we're here to address defendant's motion to
15 dismiss. I'll tell you up-front where I am and how I'm
16 inclined to rule and we can go from there, but I will keep an
17 open mind. I know we're here for oral argument.

18 I'm inclined to let the trademark infringement and
19 false designation of origin claims move forward but dismiss the
20 other claims.

21 I have a few questions. I promise I'll keep an open
22 mind and I'm happy to hear you out, but I wanted you to know at
23 the start where I was coming from and we can kind of go from
24 there.

25 So, Mr. Reichman, I know that puts you in a little bit

E4GLLALA

Argument

1 of a difficult position, but why don't I ask you a few
2 questions and then you can make whatever argument you'd like to
3 make.

4 MR. REICHMAN: Sure.

5 THE COURT: So can you cite any case where the court
6 held on a motion to dismiss as opposed to at summary judgment
7 or preliminary injunction hearing that the allegations
8 regarding removal of a serial number or a batch code did not
9 give rise to an infringement claim at that stage?

10 MR. REICHMAN: I don't think I can with respect to a
11 removal of a serial number, but certainly there are analogous
12 cases where courts have dismissed the complaint on a pleading
13 stage because the complaint does not adequately allege either a
14 material difference or a violation of quality control
15 standards. In particular, I'm thinking about Technomarine and
16 Brain Pharma cases which we cited in our brief.

17 THE COURT: I'm aware of that. I know in Technomarine
18 it was clear that there's no allegation of alteration of serial
19 numbers, but I recognize your point is a little bit different
20 about analogous cases.

21 Now, you argue that because Lalique doesn't put serial
22 numbers on its more inexpensive vases that its use of those
23 numbers on the more expensive products must necessarily be for
24 knowledge or pretextual purposes. Is that accurate, is that
25 your argument?

E4GLLALA

Argument

1 MR. REICHMAN: Not necessarily for pretextual
2 purposes. I'm not raising that. What we're arguing, your
3 Honor, is that the case law, and there's a number of cases that
4 we cited, are clear that there has to be a uniform policy. You
5 can't go and complain about a practice that you are not
6 following.

7 THE COURT: Can't they make a business decision that
8 this is for quality control purposes but it only really makes
9 sense for them to put in the money to do it on the more
10 expensive products and not the less expensive products?

11 MR. REICHMAN: Well, of course they can make a
12 business decision. But what they can't allege is a trademark
13 violation.

14 THE COURT: I'm just looking at my transcript. I was
15 looking back at something you said a moment ago, so that's why
16 I looked at my computer. Go on. I'm listening.

17 MR. REICHMAN: What the cases, starting with the
18 Polymer case and a number of other cases that we've cited,
19 including the SKF, have said is that you have to have a uniform
20 policy with respect to products or similar products.
21 Otherwise, there can't be the confusion that is required in
22 order to show that there's been a trademark violation.

23 I mean let's take the specifics. Again, let's say,
24 first of all, there is in our view no allegations with respect
25 to a quality control standard in the complaint. It doesn't

E4GLLALA

Argument

1 exist.

2 THE COURT: Let's just assume for a moment that I'm
3 going to consider the supplemental declaration.

4 MR. REICHMAN: Okay. So let's somehow -- let's ignore
5 your practice rules about amending complaints and let's assume
6 that all of the allegations in the declaration become part of
7 an amended complaint, it still doesn't state a cause of action.

8 Think about this. What they're saying is I think 500
9 Euros equates to \$670. So they're saying a vase that has a
10 suggested price of \$670 doesn't have serial numbers and one
11 that has a suggested price of \$671 does. And, of course,
12 nothing prevents any retailer from selling these products at
13 different prices. So you don't have any kind of uniformity
14 with respect to this entire product line.

15 How can there be confusion when you have vases that
16 can be for all practical purposes the same and sell for almost
17 the exact same amount of money, one has serial numbers and one
18 doesn't? How can there be any customer confusion? There isn't
19 any allegation of customer confusion anywhere in the
20 declaration or in the complaint.

21 THE COURT: Right.

22 MR. REICHMAN: There's no explanation about how the
23 trademark is diminished, and that's why there is this rule in
24 all of the cases we've cited, you have to have, you have to
25 follow this practice with respect to all or mainly most of the

E4GLLALA

Argument

1 products. In the SKF case, for example, where the manufacturer
2 didn't follow its practices with respect to I believe it was
3 12.5 percent of its products, the court said no deal, no
4 trademark violation because you haven't done this thing that
5 you're complaining of uniformly. So put all those allegations
6 in the declaration.

7 THE COURT: Haven't they done it uniformly for
8 particular lines of vases? So maybe not with regard to every
9 vase, but with regard to all the lines of vases that either
10 cost a certain amount or particular lines of vases, haven't
11 they been consistent in that regard?

12 MR. REICHMAN: First of all, they haven't
13 distinguished between the different types of vases. So all
14 they're doing is based on price. They're not saying the red
15 vases have serial numbers, the blue ones don't. Ones that are
16 certain sizes have serial numbers, smaller ones don't. They
17 based it on apparently a suggested retail price. That's all.
18 And the courts have said when you're talking about a product
19 line, you can't make that kind of distinction. Otherwise,
20 where is the customer confusion here?

21 THE COURT: Are there any additional arguments? I'm
22 happy to hear you out.

23 MR. REICHMAN: When the courts look at both the
24 material difference test and the quality control test, at the
25 bottom line -- and those two tests, by the way, are really, as

E4GLLALA

Argument

1 Dan Combs said, need to be considered in tandem -- you're
2 really looking at is there some customer confusion, is there
3 some diminution in what customers are getting?

4 So look at the cases where there actually has been
5 found to be a trademark violation, even though there's been no
6 physical differences. For example, there are cases that say,
7 well, if you don't provide a warranty, that's a difference. So
8 a customer is getting something less when you don't put a
9 serial number on it because it means they no longer have
10 certain protections that they otherwise would. They no longer
11 have the warranty, they no longer have the right to go back for
12 service. So there is that difference.

13 Here, there's nothing alleged with respect to any
14 difference. How is a customer hurt by the fact that it's
15 buying a vase without a serial number? That is not explained
16 anywhere in the complaint; it's not explained anywhere in the
17 declaration. And if a customer is not getting an inferior
18 product, if it's getting something that is for all practical
19 purposes the same, then there can't be any diminution of the
20 mark.

21 THE COURT: If the purpose of the serial numbers is to
22 ensure that over time customers are provided with the same
23 quality product, is your reading of the law such that there
24 needs to be a showing that on any individual occasion one
25 person's vase is inferior that every person's vase is inferior?

E4GLLALA

Argument

1 MR. REICHMAN: I'm not sure how to answer that,
2 frankly, your Honor. I think what you need -- and maybe I need
3 the question back again.

4 THE COURT: I'm going to look at my transcript.

5 Really what I'm getting at is the purpose of the
6 quality control line of cases, as I understand it, is to
7 protect the products over time, to protect the -- for a company
8 to be able to see over time if there's counterfeiting, if there
9 are defects, if there's a need for recall, and to be able to
10 identify their products over time.

11 The argument that you seem to be making was that there
12 always has to be, it really seems like it's based on material
13 difference and not on quality control, that there's always got
14 to be in every particular case an inferior product that the
15 each individual is getting, that each consumer is getting, as
16 opposed to over time. And as I read the quality control line
17 of cases, the idea is to protect the products again over time.

18 MR. REICHMAN: But I don't see -- again, protecting,
19 you're right. If over time removing the serial numbers on a
20 vase that's sold for \$671 as opposed to \$670 resulted in some
21 diminution of the products that the consumers are getting or
22 some consumer confusion, then, yes, over time. But there's no
23 indication anywhere in the declaration or the complaint how
24 over time it would be any different than the way it is now.

25 THE COURT: But isn't that a factual question? You

E4GLLALA

Argument

1 may well be right and your client may be successful on summary
2 judgment, but isn't that a factual question?

3 MR. REICHMAN: I think what they have to allege in the
4 complaint -- and, again, by saying the complaint, include the
5 allegations in the declaration that there will be consumer
6 confusion. There will be inferior products that are presented
7 and explain why. I mean it wouldn't be hard. If there was
8 anything that was how customers would be impacted, they could
9 say, look, because they don't have a serial number, then this
10 customer doesn't have certain protections. They don't say
11 that. They don't say anything like that.

12 So it's the case now that customers aren't getting
13 anything less and there's no indication anywhere in the
14 complaint or the declaration that that situation would be
15 different in the future.

16 THE COURT: I'm looking, for example, to the
17 declaration -- it's the supplemental declaration of Maz
18 Zouhairi -- and I'm looking at paragraphs 10 through 13 which
19 describes the purposes of the serial numbers, among other
20 things. Paragraph 10 indicates that Lalique maintains a
21 database of all the serial numbers, limited edition numbers
22 imprinted upon the items manufactured by it. The serial
23 numbers and limited edition numbers are utilized by Lalique to
24 control the quality and distribution of its products. Through
25 its serial numbers and limited edition numbers Lalique can

E4GLLALA

Argument

1 identify when any particular numbered item, including
2 exclusively numbered items, was manufactured and to whom it was
3 initially sold.

4 And then it goes on from there and in paragraph 11 it
5 states in part Lalique also utilizes its serial numbers and
6 limited edition numbers to ensure that its products are of the
7 highest quality by being able to track the date of manufacture
8 of any numbered item in context of service, repair,
9 maintenance, or defect issue. And then 12 talks about
10 authenticating the numbered items.

11 So, again, the question is just for purposes of a
12 motion to dismiss, is this sufficient?

13 MR. REICHMAN: I don't believe so. And let me read
14 something from Technomarine that dealt with this issue.

15 THE COURT: Just give me a second. Let me get the
16 case out. What page are you going to read from, please?

17 MR. REICHMAN: This is starting at right at the end of
18 490 going to 491. It's under footnote 5 in the Westlaw. The
19 court said, However, cases in which the quality control test
20 has supported a nongenuineness claim routinely and more
21 specifically alleged an actual disruption in quality control
22 procedures and as such disruption has or would be likely to
23 damage the product itself and, thus, impact the value of the
24 mark.

25 So here there's nothing to indicate there would be any

E4GLLALA

Argument

1 damage to the product itself. And once you have that there's
2 no damage to the product itself, then you have no impact on the
3 value of the mark, which is of course what the trademark law is
4 all about. Customers are getting nothing less when they get a
5 vase with a serial number removed, and there can't possibly be
6 customer confusion either because, again, getting back to the
7 argument I made before, they don't have a uniform policy with
8 respect to vases or products, at least as it's out there in the
9 marketplace.

10 THE COURT: Let's just say we don't know now if the
11 vases in this case were counterfeit. And I'll address
12 questions to Mr. Gildin about that, but let's say there are
13 entities out there that are creating counterfeit Lalique vases
14 that are not in fact manufactured by Lalique, and Lalique wants
15 to be able to try to track them down and to find them. And if
16 the using of serial numbers, even if it's just for a limited
17 number of vases that are more expensive, helps them in the
18 process of doing that, doesn't that ultimately ensure the
19 quality of the Lalique mark?

20 I mean you're focusing on what customers are getting,
21 are customers getting the real thing, are they getting a
22 product that's as good, but in a scenario in which it happens,
23 couldn't the serial numbers help them ensure that customers
24 ultimately get the Lalique product as it should be?

25 MR. REICHMAN: Well, there's first and foremost, your

E4GLLALA

Argument

1 Honor, I think that kind of argument could have some resonance
2 if they actually followed it with respect to all of the
3 products it produced, but they don't. They don't. So how
4 can -- it's not as if this is a simple test: There's a serial
5 number, therefore, it's genuine. There's not a serial number,
6 it's not a genuine Lalique product. If they actually followed
7 it uniformly, maybe your contention would have more resonance.
8 I don't think it has any resonance where they don't uniformly
9 put serial numbers on the products.

10 THE COURT: All right. Thank you.

11 Mr. Gildin.

12 MR. GILDIN: Your Honor, do you want to ask me
13 anything or do you want me to just respond?

14 THE COURT: I'm happy to give you the opportunity to
15 respond. I did want to ask a couple questions.

16 Are you still arguing that the vases may be
17 counterfeit, meaning, they were not in fact manufactured by
18 Lalique?

19 MR. GILDIN: That is one of the choices.

20 THE COURT: And what are the facts in your complaint
21 to support an allegation that they were in fact counterfeit?

22 MR. GILDIN: The fact is that they don't have serial
23 numbers. There are two choices. By virtue of the fact that
24 they don't have serial numbers, there are two choices. One is
25 they are not genuine and never were genuine, and the other is

E4GLLALA

Argument

1 that they were genuine Lalique at one point in time but were
2 altered and are no longer genuine. And I believe it's
3 paragraph 24 that refers to the products not being genuine. I
4 believe I used the word counterfeit. I believe it's 24.

5 No. It's 33. I apologize. Paragraph 33, Judge.

6 THE COURT: Is that something you think you're going
7 to be able to ultimately determine through discovery?

8 MR. GILDIN: I don't have a clue. Honestly, I don't
9 know. Let me put it to you this way. The limited discovery
10 that we have had answers certain questions and answers far from
11 all questions because the documents we actually received do not
12 show, other than the name, other than in some cases and not in
13 all, the name of the product that was sold. They don't really
14 match up with what was purchased and what was sold.

15 So, for instance, where we received information on
16 purchases and sales from I believe it was January 1, 2012 until
17 the date of production, we don't know whether a product sold in
18 2012 was purchased in 2012 so that we can match it up to a
19 purchase, or was purchased before 2012 so we have nothing to
20 match it up to. So we don't know the answer to these
21 questions.

22 Would I on a bet say to you I'm going to be able to
23 prove that any of these products that were sold were never
24 genuine Lalique? I honestly don't know. I would say no, I
25 wouldn't be able to prove that, but I don't know it yet and I

E4GLLALA

Argument

1 don't believe it's unreasonable to try to find out.

2 THE COURT: And what additional information do you
3 think you need to be able to figure that out?

4 MR. GILDIN: All of their purchases and sales and
5 depositions. If it turns out that I can match up purchases and
6 sales from the one dealer regarding whom we received documents.

7 THE COURT: That's the Lalique dealer in Paris.

8 MR. GILDIN: That is the Lalique dealer in Paris. If
9 we can match everything up and we have nothing, then we'll have
10 nothing. I don't enjoy spitting into the wind. But I think it
11 would be reckless for me to suggest at this point in time that
12 it's not a possibility.

13 THE COURT: Relatedly, does the complaint in your view
14 allege any material difference between the vases?

15 MR. GILDIN: I believe it alleges a material
16 difference. I believe that --

17 THE COURT: What's the material difference?

18 MR. GILDIN: The material difference is that a
19 customer who buys a vase that should have a serial number that
20 does not have a serial number, if something ever goes wrong
21 with it, is going to send it to Lalique and Lalique is going to
22 say we don't know what this is because they can't match it up
23 to a date of manufacture and to a dealer to whom it was sold.

24 So that's the first and most obvious answer is that
25 there may be little reason for Lalique to take care of a

E4GLLALA

Argument

1 customer who has a product that does not have the number that
2 it should have on it because it's not necessarily unreasonable
3 for Lalique to conclude that that is not a genuine Lalique
4 product. That's the whole point of the exercise is to
5 eliminate that possibility. And, yes, it wasn't always done,
6 but it's counterintuitive to suggest that because it wasn't
7 always done you can't do it now.

8 And it is equally counterintuitive to suggest that
9 because you're not going to do it on the \$50 product or the
10 hundred dollar product, you can't do it on the more expensive
11 products. And to suggest that because there is a line that is
12 drawn that \$1 on one side of the line is not so different than
13 \$1 on the other side of the line and, therefore, you're not
14 entitled to protection. We certainly are not entitled to
15 protection on those items where there were never serial numbers
16 or where we can't prove that that item should have had a serial
17 number.

18 THE COURT: Okay. Any other responses you'd like to
19 make, I'm happy to hear them.

20 MR. GILDIN: Well, I think your Honor has stated the
21 concepts better than I ever could. But I really think that if
22 you look at the Zino Davidoff and if you look at your own
23 L'Oreal, you get the answers you need. We are at the pleading
24 stage; we're not at the proof stage. And to suggest that this
25 case should not go forward is just misguided.

E4GLLALA

Argument

1 Thank you, your Honor.

2 THE COURT: Thanks. Anything else from you,
3 Mr. Reichman?

4 MR. REICHMAN: Yes. I'll be brief.

5 With respect to the last point Mr. Gildin made that
6 somehow there will be some diminution to customers of getting
7 vases without serial numbers, there is nothing anywhere in the
8 complaint or the declaration that says that. There's nowhere,
9 for example, does the declaration say, well, you know, if a
10 customer brings in a vase without a serial number, we won't
11 take care of it but we would if it had a serial number.
12 There's nothing in the record at all to that effect, nothing in
13 the complaint. And then after being presented or given or
14 taking the opportunity to present additional facts to the
15 Court, there still is nothing to show that there's any real
16 difference of any kind.

17 With respect to the issue of counterfeiting, I believe
18 it's sanctionable for Lalique to continue to assert that claim
19 at this point. There's nothing in the complaint that provides
20 any support for a counterfeiting allegation. There's nothing
21 that says there's falsified logos. There's nothing that says
22 there's inferior products. And, by the way, it's not as if
23 they wouldn't have had an opportunity for years and years and
24 years to know whether Metropolitan has been selling counterfeit
25 products. They have been competing in the same neighborhood

E4GLLALA

Argument

1 for years. They've gone to Metropolitan and bought products.
2 They've gone to Metropolitan and seen the products that are
3 being sold.

4 And not only on top of that, because of the limited
5 discovery the Court ordered, they've been provided with
6 invoices from the Parisian dealer showing where they got the
7 merchandise. And for them to continue now and say we want to
8 pursue this issue of counterfeiting on some supposition is so
9 grossly unfair. And my client should have to incur tens of
10 thousands of dollars in legal fees because they have some idea
11 without any proof, without any evidence that this is going on?
12 It's simply wrong.

13 THE COURT: All right.

14 MR. GILDIN: May I?

15 THE COURT: Yes.

16 MR. GILDIN: Very briefly. Simply two issues.
17 Counsel just referred to we don't claim that there's any
18 falsified logos. Well, that's the whole point, there's no
19 logo. I don't know whether counsel is acknowledging -- I don't
20 think he is -- that his client has removed the serial numbers.
21 But someone did, if they are genuine Lalique, someone did.
22 Maybe it's the dealer in Paris, maybe it's his client, I don't
23 know. But I don't hear an acknowledgment that his client did
24 it and, therefore, to suggest that we should ignore
25 possibilities I think is unreasonable.

E4GLLALA

Argument

1 The other is that we asked for the right to come in
2 and audit and take a look and see what's in the store and so
3 far that's been rejected. We need to get to the meat of this
4 and the meat of this is to find out who's doing this. Maybe it
5 was the dealer in Paris, maybe it was the defendant; we have to
6 find out.

7 THE COURT: Thank you. What I'd like to do is just
8 take a break for five minutes. So we'll adjourn right now and
9 resume in five minutes.

10 (Recess)

11 THE COURT: Having considered the parties' arguments
12 I'm prepared to rule. For the following reasons I'm going to
13 grant defendant's motion in part and deny it in part. In my
14 view, plaintiff has plausibly alleged a trademark infringement
15 and false designation of origin claim. I'm dismissing the
16 federal and state dilution claims, the state law consumer
17 protection claim, and common law unfair competition claim. The
18 motion is therefore denied as to Counts One and Two and granted
19 as to Counts Three, Four, Five, and Six.

20 Before I turn to the merits of the motion, I'd like to
21 address the dispute about which documents are properly before
22 the Court. The complaint in this case alleged that all Lalique
23 vases are imprinted with a serial number or limited edition
24 number -- for simplicity, I'll just call it a serial number.
25 See paragraph 24 of the complaint. When Mr. Reichman appeared

E4GLLALA

Decision

1 for the initial conference on October 7, 2013, he brought with
2 him three Lalique vases, which he asserts that he purchased
3 from the Lalique retail store, that did not have any serial
4 numbers. At the conference, Mr. Gildin responded to the effect
5 that not all Lalique vases have serial numbers.

6 Plaintiff subsequently submitted the supplemental
7 declaration of Maz Zouhairi, which clarified that not all
8 Lalique vases have serial numbers, and specified which vases do
9 have serial numbers; namely, those with a suggested retail
10 price of at least 500 Euros, as well as several other lines.

11 Defendant asks me to disregard the supplemental
12 declaration. I'm not going to do that. The Court is not going
13 to consider Mr. Gildin's statement -- which was made in
14 response to evidence defendants produced at a hearing to
15 discuss scheduling -- without offering him the opportunity to
16 clarify the statement. Either the Court considers the original
17 complaint and nothing more, or it considers Mr. Gildin's
18 statement alongside the supplemental declaration.

19 Plaintiff has asked to amend its complaint,
20 specifically to conform to the statements made in the
21 supplemental declaration. See page 20 of its opposition.
22 Because in any event I'd have to determine whether the proposed
23 amendment is futile -- that is, whether it would survive a
24 motion to dismiss, see Milanese v. Rust-Oleum Corp., 244 F.3d
25 at 10 (2d Cir. 2001) -- I'll consider the supplemental

1 declaration for purposes of this motion.

2 Turning to the substance of this motion, I'll begin
3 with Counts One and Two, which allege trademark infringement
4 and false designation of origin under the Lanham Act. As is
5 relevant here, the elements of each claim are the same:
6 Plaintiff must allege that its mark is entitled to protection
7 and that defendant's use of the mark is likely to cause
8 consumer confusion. See Louis Vuitton Malletier v. Dooney &
9 Bourke, Inc., 454 F.3d at 114-115 (2d Cir. 2006). As a matter
10 of law, consumer confusion does not arise when a defendant
11 merely resells a genuine good bearing a true mark even though
12 the sale is not authorized by the trademark holder. See Zino
13 Davidoff S.A. v. CVS Corp., 571 F.3d at 243 (2d Cir. 2009).
14 Goods are not genuine, however, if they differ materially from
15 the product authorized by the trademark holder for sale or if
16 they do not conform to the mark holder's quality control
17 standards. See Id.

18 Plaintiff has not plausibly alleged a material
19 difference between its products and those defendant sells. The
20 only difference alleged in the complaint is that the products
21 defendant sold lacked a serial number. Nowhere does the
22 complaint allege that the removal of the serial numbers
23 otherwise altered the appearance of the products, cf. Zino
24 Davidoff, 243 F.3d at 246, and my decision in L'Oreal, 2013 WL
25 4400532 at 18. Nor does the complaint allege that the presence

1 of a serial number entitles the owner to additional warranty
2 protection or other post-sales services. Cf. Bel Canto Design
3 Limited v. MSS Hifi Inc., 837 F.Supp.2d at 231 (S.D.N.Y. 2011).
4 Plaintiff has not cited any case for the proposition that the
5 mere absence of a serial number in itself amounts to a material
6 difference, nor has the Court encountered such a case.

7 The Court reaches a different conclusion, however,
8 with respect to plaintiff's quantity control argument. Goods
9 that do not conform to plaintiff's quality control measures are
10 not genuine and therefore infringing if plaintiff can show (i)
11 it has established legitimate, substantial, and nonpretextual
12 quality control procedures, (ii) it abides by those procedures,
13 and (iii) the nonconforming sales will diminish the value of
14 the mark. See Warner-Lambert Co. v. Northside Development
15 Corp., 86 F.3d at 6 (2d Cir. 1996). Here, paragraph 24 of the
16 complaint and paragraphs 10 through 13 of the supplemental
17 Zouhairi declaration describe the purposes of imprinting vases
18 with serial numbers, which includes ensuring that products are
19 authentic and tracking the date of manufacture in the context
20 of repair or defect. The Second Circuit has recognized both
21 purposes as legitimate and nonpretextual, see Zino Davidoff,
22 571 F.3d at 244-46, and plaintiff's complaint plausibly alleges
23 that sales of nonconforming products will diminish the mark's
24 value.

25 Defendant takes aim at the second prong, asserting

E4GLLALA

Decision

1 that plaintiff does not abide by these procedures because it
2 admits that it sells some vases that do not contain serial
3 numbers. Although the question is a close one, the Court
4 cannot say at this stage that plaintiff's decision to affix
5 numbers on only some of its vases renders its claims legally
6 insufficient. It appears that plaintiff's decision about which
7 vases to imprint depends on the value of the vase. The Second
8 Circuit explained in Warner-Lambert that "a trademark holder is
9 entitled, without losing its right to protect what value the
10 mark has, to make a business judgment that additional quality
11 control measures would add less value to the mark than their
12 cost." 86 F.3d at 7. By that reasoning, then, a trademark
13 holder can decide that it's not worth it to use certain quality
14 control measures on inexpensive products, without having to
15 worry that trademark protection of its more expensive products
16 will be impaired.

17 Ultimately, the fact that Lalique only puts serial
18 numbers on certain products may be fatal to its infringement
19 claims. But the Court needs to know other information that
20 bears on its purpose behind using the numbers, such as how the
21 numbers are used to identify counterfeit vases and how
22 Lalique's employees are trained to use those measures. It is
23 simply too early to decide this issue as a matter of law,
24 however, and none of the cases defendant cites -- Polymer, SKF,
25 and Dan-Foam -- persuade the Court otherwise.

1 Plaintiff also asserts that the products defendant
2 sells may be counterfeit, that is, manufactured by a third
3 party unaffiliated with Lalique. I note that plaintiff has not
4 alleged any facts that typically support a claim of
5 counterfeiting, such as inferior workmanship and materials or
6 falsified logos. See, for example, Technomarine SA v. Jacob
7 Time, Inc., 905 F.Supp.2d at 488 (S.D.N.Y. 2012). Because I'm
8 allowing Counts One and Two to go forward on a grey goods
9 theory, however, I'm not going to preclude plaintiff from
10 attempting to show counterfeiting.

11 Count Three alleges trademark dilution under federal
12 law, and Count Five alleges dilution under New York law. To
13 prevail on either count, plaintiff must allege, among other
14 elements, that defendant used a mark that diluted the value of
15 plaintiff's mark through either tarnishment or blurring. See
16 Starbucks Corporation v. Wolfe's Borough Coffee Incorporated,
17 588 F.3d at 105 and 114 (2d Cir. 2009). Tarnishment refers to
18 situations in which a defendant's mark harms the reputation of
19 plaintiff's mark by associating it with products of poor
20 quality or portraying it in an unwholesome or unseemly context.
21 Plaintiff has not plausibly alleged tarnishment because the
22 only difference between the two products the complaint alleges
23 is that defendant's vases lack a serial number. Nor does the
24 complaint plausibly allege blurring, which occurs when a
25 defendant uses a mark that is similar to plaintiff's and that

1 impairs the distinctiveness of plaintiff's mark. Here,
2 defendant is not purporting to sell anything other than genuine
3 Lalique products, although the parties dispute whether those
4 products were in fact genuine, this is not a case where
5 defendant is using some separate mark that impairs the
6 distinctiveness of the Lalique products. See, for example,
7 Oleg Cassini Inc. v. Weber's 32nd Street Corporation, 2008 WL
8 2780988 at 2 n.4 (S.D.N.Y. 2008), which notes that a dilution
9 claim requires the use of two distinct marks. I'm therefore
10 dismissing the dilution claims; nothing plaintiff has submitted
11 suggests that this defect could be cured through amendment.

12 Count Four alleges a violation of New York General
13 Business Law Section 349, which prohibits deceptive trade
14 practices. As my decision in L'Oreal explains, the majority
15 view in this circuit is that trademark infringement claims are
16 not cognizable under Section 349 unless there is a specific and
17 substantial injury to the public interest over and above
18 ordinary trademark infringement or dilution. 2013 WL 4400532
19 at 22. Here, the only harms the complaint alleges are those
20 typically associated with trademark infringement, such as
21 consumer confusion. Nowhere has plaintiff suggested how it
22 would amend its complaint to allege such a harm. Count Four is
23 therefore dismissed.

24 Finally, Count Six asserts a claim for unfair
25 competition. To establish such a claim, plaintiff must

1 plausibly allege a claim under the Lanham Act coupled with a
2 showing of bad faith. See, for example, Coach, Inc. v. Horizon
3 Trading USA, Inc., 908 F.Supp.2d at 436 (S.D.N.Y. 2012). Here,
4 plaintiff has not even attempted to allege bad faith, see
5 paragraphs 82 through 84 of the complaint. I'm therefore going
6 to dismiss this claim. I will, however, permit plaintiff to
7 amend this claim.

8 To summarize, I'm denying the motion as to Counts One
9 and Two. I'm granting it as to Counts Three, Four, and Five,
10 and dismissing those claims with prejudice because amendment
11 would be futile. I'm also granting the motion as to Count Six,
12 the unfair competition claim, but I will grant leave to amend
13 that claim.

14 So in light of my ruling, let's talk about next steps
15 here. I understand plaintiff is still seeking discovery. Both
16 sides will want discovery. I will appreciate that the
17 preliminary injunction request is still outstanding, but I
18 don't know that we need to have the preliminary injunction
19 hearing, summary judgment briefing, and then a trial. I want
20 to see if there's a way to preserve some resources here, so why
21 don't we talk about that.

22 First of all, are you seeking a jury trial in this
23 case? And the reason I'm asking, of course, is I generally
24 think it's more efficient if you're not seeking a jury trial to
25 combine a preliminary injunction hearing with a trial on the

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Decision

1 merits if in fact it's going to be a bench trial, if it gets to
2 that.

3 MR. GILDIN: That all sounds quite sensible.

4 THE COURT: Is there a need for a court reporter at
5 this stage?

6 MR. GILDIN: No.

7 THE COURT: We'll go off the record.

8 o0o